

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AUSTIN EXPLORATION LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

		Current quarter \$A	Year to date (6 months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	388,030	789,140
1.2	Payments for (a) exploration & evaluation (b) development (c) production** (d) administration	(646,214) 261,511 (822,004)	(961,236) (102,980) (1,587,801)
<i>**Note: expenses have been reassigned to exploration & evaluation and administration due to the reassessment of expenses by the company of current operations</i>			
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4,006	7,085
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Income received from Farm Out Agreements)	-	1,678,126
Net Operating Cash Flows		(814,671)	(177,666)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (d) Kentucky Exploration LLC JV	(40,253)	(42,281)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (Equity Distributions/(Transfers) to/from Kentucky Exploration LLC JV)	(237,231)	(591,713)
Net investing cash flows		(277,484)	(633,994)
1.13	Total operating and investing cash flows (carried forward)	(1,092,155)	(811,660)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,092,155)	(811,660)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,700,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	54,619
1.17	Repayment of borrowings	(53,916)	(53,916)
1.18	Dividends paid		
1.19	Other (provide details if material)	-	(127,665)
	Net financing cash flows	(53,916)	1,573,038
	Net increase (decrease) in cash held	(1,146,071)	761,378
1.20	Cash at beginning of quarter/year to date	2,981,086	1,144,805
1.21	Exchange rate adjustments to item 1.20	90,441	19,273
1.22	Cash at end of quarter	1,925,456	1,925,456

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	190,634
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONTRACT FEES TO DIRECTORS AND OFFICERS

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	1,078,322	0
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	500,000
4.2 Development	-
4.3 Production	50,000
4.4 Administration	450,000
Total	1,000,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Quarter \$A	Previous Quarter \$A
5.1 Cash on hand and at bank	1,875,456	2,931,086
5.2 Deposits at call	50,000	50,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,925,456	2,981,086

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed PEL105	Working Interest (WI)- 50%	WI – 50%	WI – 0%
	Revenue Interest (RI)– 50%	RI – 50%	RI – 0%
6.2 Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 + Ordinary securities	1,762,787,137	1,762,787,137		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,925,000	7,925,000	Nil	Nil
7.5 + Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

Appendix 5B

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7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	2,000,000 "2013" K Class Options		\$0.055	12/12/2013
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Chief Financial Officer)

Date: 31/01/2014

Print name: Lonny Haugen

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471

Second Quarter Report FY2014

**For the three months ended
December 31, 2013**

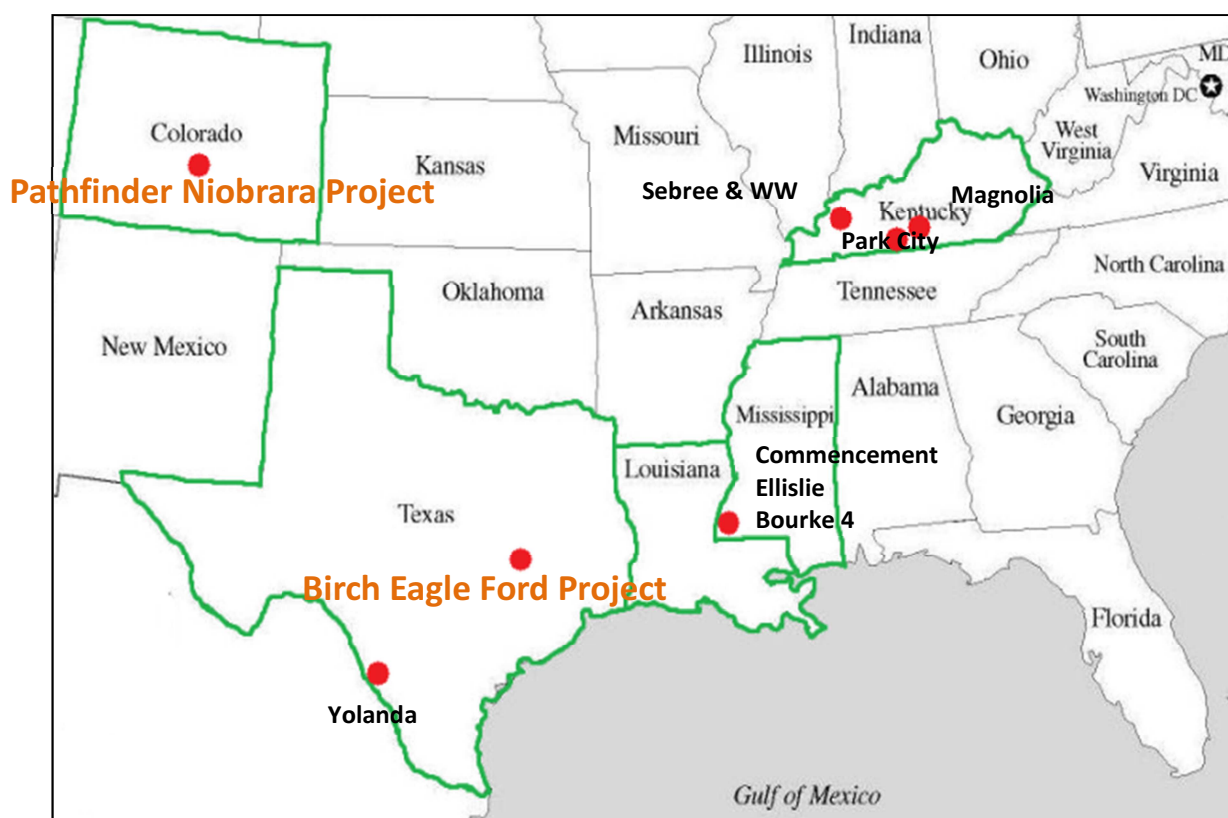
with additional information on subsequently completed activities



OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) maintains working interests and net revenue interests in four proven oil and gas provinces in the United States. Austin is the operator of its Colorado, and Kentucky operations. Austin Exploration is very proud to announce that the company’s unblemished safety and environmental record is still intact with no lost time safety accidents or environmental incidents occurred during the last quarter.

During the past quarter, Austin has worked to implement its low cost production enhancement program to increase cash flow and production. This program aims to increase cash flow in all 3 business units; Colorado, Kentucky, and Texas/Mississippi.



Map Showing Austin Exploration’s Assets in the USA

1. Eagle Ford Horizontal Drilling Program with Halcon Resources Corporation underway

As announced to the ASX on 23 December 2013, Halcon Resources has spudded the first Eagle Ford Horizontal well in the Birch Prospect. Under the farmout agreement with Halcon, Austin Exploration is to be carried on a total of 3 wells and will retain a 30% Working Interest in the Birch prospect. Drilling operations are underway and material results will be communicated once they come to hand. The well has been drilled through the curve and is at approximately 14,000’ total depth. Under a separate agreement, PetroMax will also free carry one well.

2. Mississippi # 4 well:

Drilling operations have commenced on Austin's fourth well in Mississippi. Austin maintains a 50% working interest in this well. The well will be drilled as a vertical well and is targeting oil production from the Wilcox formation at approximately 6500 feet. The first well drilled in Mississippi produced at an initial production rate of 82 BOPD, the second well at 135 BOPD, and the third well at 248 BOPD. This 100% success rate in Mississippi provides management confidence in the potential of the Mississippi #4 well and believes it will provide a boost to production and cash flow in the near term.

3. Kentucky Business Unit:

A 5-well, low-cost high-impact drilling and stimulation program is underway in Kentucky. All 5 wells have been successfully drilled and logged. The logs show the presence of hydrocarbons in all the drilled wells. Currently, Austin Exploration's technical team is working on a detailed well stimulation program in order to optimise production from these wells. Once this detailed analysis is completed the Company will embark on a "campaign frac" program where these 5 wells will be fraced back-to-back in order to achieve maximum cost efficiencies and maximum oil liberation. The completion of this low-cost, high-impact stimulation project is expected to increase levels of production in order to achieve the 40+ BOPD goal set for Kentucky in 2014.

4. Colorado Pathfinder Pierre #1 well to commence in 2014:

Preparations are being carried out for the Pierre formation drilling campaign, set to begin in 2014. The Company has conducted a series of geological and geotechnical studies in order to locate the best drilling location spots. These studies included satellite imaging, surface geochemistry, and a 2D seismic program. This complex geophysical and engineering analysis has confirmed the presence of an extensive natural fracture network that lies beneath the surface of Austin's Pathfinder property. These natural fracture systems are essential for production from the Pierre formation in Florence field. Austin Exploration's team is now working on finalising the drilling site location in order to start the permitting process. Austin is on track with its plans to drill its first Pierre well in 2014. Wells drilled into the Pierre formation are shallow and do not require horizontal drilling, therefore drilling and completion costs are lower. Currently there are two partners committed to the drilling program for the first well to help share capital investment costs. Producing wells drilled on adjacent acreage (to Austin's) have had generally returned capital investment in less than 6 months with a long profit trail. Work continues on the Niobrara drilling program. In 2014 Austin plans to drill three Pierre wells and two Niobrara wells.

5. Pathfinder Colorado - Gas gathering and sales :

Work continues for the development of a gas gathering system in Colorado. The right of way process has been completed and an extensive amount of engineering work continues. The Company's legal team is working diligently on the Colorado gas regulations that are required to sell gas to the market.

Construction quotes have been sought and material specifications are nearing completion. We are also evaluating processing the heavy gases for sale to the market.

SOUTHERN BUSINESS UNIT

VP & General Manager:

Mr Aaron J. Goss

- **Birch Eagle Ford Project, Burleson County, Texas**
- **Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk**
- **Secondary targets: Taylor Sands, Buda, Georgetown**
- **Mississippi project: Adams County, Mississippi**
- **Primary Hydrocarbon targets: Wilcox Formation (Conventional)**

HIGHLIGHTS

- **\$30-\$40 million Eagle Ford horizontal drilling program underway in Texas**
- **Austin to be free carried on four horizontal Eagle Ford wells**
- **Drilling operations underway for 4th Mississippi oil well**

Eagle Ford horizontal drilling program underway in Texas

- Austin's Birch Project farm-out program (to Halcon Resources and PetroMax Operating) has begun.
- Under the terms of the agreement Halcon Resources will fund 100% of the costs of three horizontal wells, estimated at a cost of \$8-\$10 million per well, to earn a 70 % interest in Austin's 5000 acre Birch property. PetroMax will fund the cost of one horizontal well for a 70% interest in the remaining acreage.
- The Stifflemire #1HZ well, is the first well under the farm-out agreement and was spudded in December 2013.
- Austin retains a 30% working interest in the Birch project.

Drilling operations are underway for Austin's 4th oil well in Adams County, Mississippi

- Austin currently holds 50% working interest in the Mississippi Project.
- To date, Austin has achieved 100% economic and production success in Mississippi.
- The M4 well is the second well on the Hilo Prospect and is expected to produce from the Wilcox formation.
- The associated production facilities, pads, and roads are already in place.
- Drilling has begun.
- Further success in this well will provide a material boost to cash flow.

- As with previous wells in Mississippi, Austin’s partner and operator of the project holds the remaining 50% working interest.

Table 1: showing the Initial Production of all Austin Exploration’s wells in Mississippi

Well Name	IP	Depth	Formation
Ellislie No. 1	82 BOPD Drilled 2010	6,445’ – 6,450’ TVD: 6,585’	Armstrong Sands
Armstrong No. 1A (Commencement)	135 BOPD Drilled 2011	6,445’ – 6,450’ TVD: 6,650’	Baker Sands
Bourke No. 4 (MS #3)	248 BOPD Drilled 2012	6,108’ – 6,111’ TVD: 6,410’	Parker Sands
Mississippi #4 well (M4)	<i>Commenced</i>	<i>6,500’</i>	<i>Parker & Campbell Sands</i>



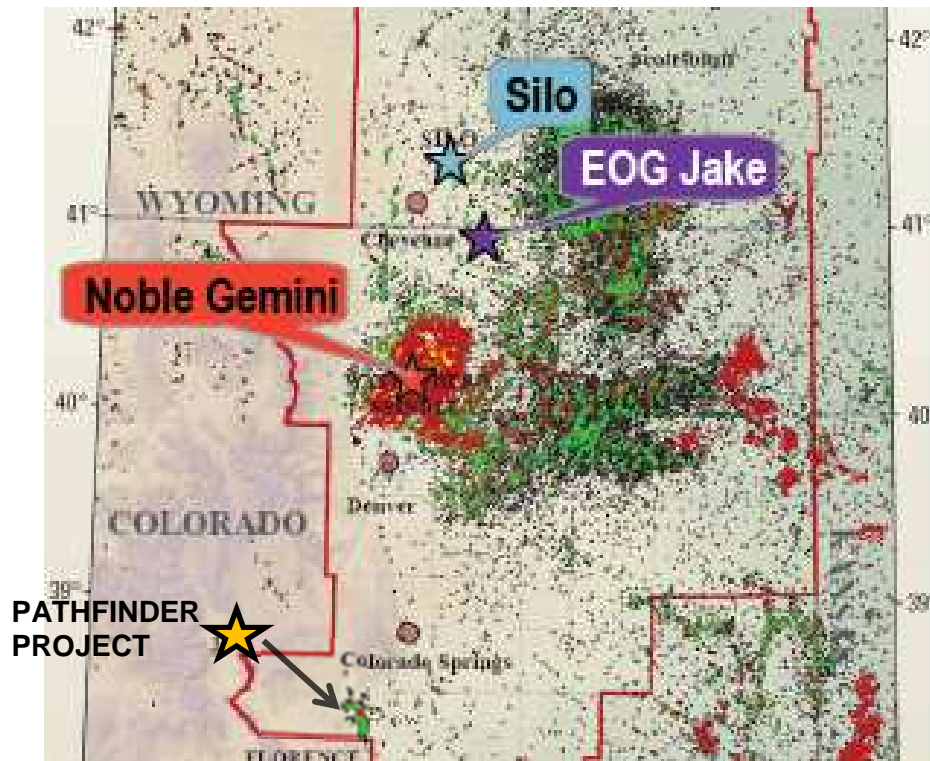
An Image of the Shamrock #1 Rig Spudding the Mississippi #4 Well

COLORADO BUSINESS UNIT

VP & General Manager:

Mr Juan Carlos Carratu

- **Pathfinder Project, Fremont County, Colorado**
- **Primary Hyrdocarbon targets: Niobrara Shale & Pierre Shale**
- **Secondary Targets: Codell, Greenhorn, Grenaros, and Dakota**



HIGHLIGHTS

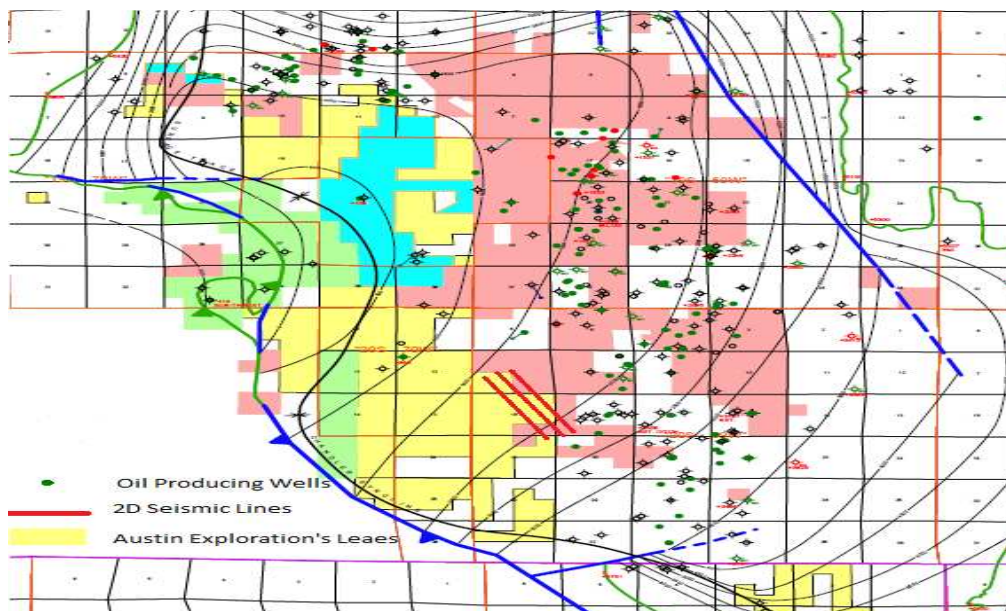
- Seismic Program completed for Austin's Pathfinder oil and gas project in Colorado
- Shallow Pierre drilling campaign planning is underway
- Austin holds 85% working interest (WI) in the Pathfinder project. Austin's high ownership position affords control and optionality over development

Pathfinder Project

- The Company has approximately 11,560 total acres in Fremont County and Custer County in Colorado.
- The Pathfinder C-11-12#1HZ well was the first ever well to be drilled horizontally, and produce, from the Niobrara in Fremont County, Colorado.
- The Pathfinder C-11-12#1HZ well produced at an initial production rate of 403 BOEPD. Austin's engineering team is producing the well intermittently whilst the gas gathering system is completed to keep uneconomic flaring to a minimum.
- The company is currently working on a shallow Pierre formation drilling campaign.
- The company shot 2D seismic in December, 2013 and completed surface geochemistry studies in order to select drilling locations which will continue through January 2014. The company has completed surface geochemistry tests in order to select the seismic and subsequent drilling locations.
- A gas gathering program is underway.

Shallow Pierre Shale Drilling Campaign and 2D Seismic

- Austin has conducted several studies to aid in the Pierre formation shallow drilling campaign. The studies conducted include satellite imaging, surface iodine studies, and 2D seismic to locate fracture networks in the lithology of Austin Exploration's Pathfinder project.
- This exploration technique utilised by Austin Exploration will help develop the prolific Pierre formation in Austin's Pathfinder project with an increased probability of exploration success.
- The Results from the studies confirm significant fracture networks on Austin Exploration's leases.
- The complex natural fractures systems, particularly in the shallow Pierre shale formation, are critical for production in this gravity drainage drive reservoir. Those fractures are responsible for over 15,000,000 bbls of oil produced from the Pierre shale in the Florence field up-to-date.
- Austin Exploration's acreage lies directly adjacent to the 15 million barrel plus Florence oil field. The 11,560 acre Pathfinder project was previously held by mining companies and therefore the oil and gas reserves in ground remain largely untapped.
- The results from the 2D seismic data were highly encouraging and showed two anomalous areas that indicate the presence of natural fractures. Each of those anomalous areas cover approximately 200 acres and drilling targets can be identified on each of the anomalies.



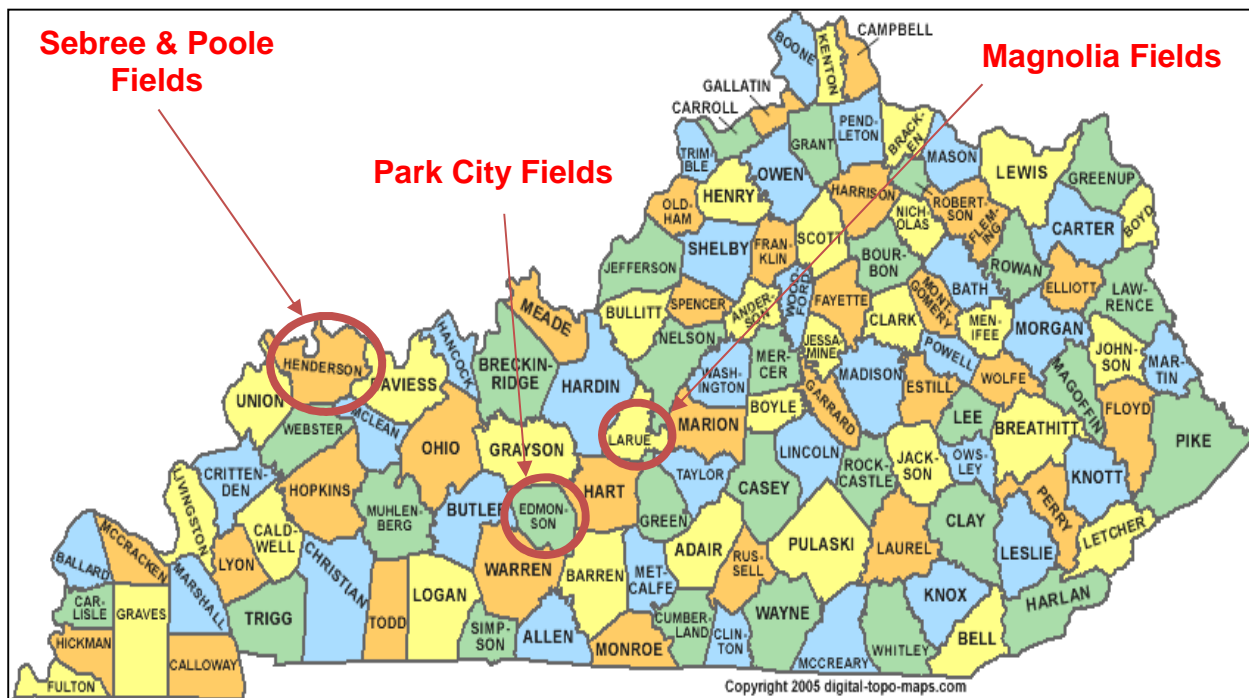
Map showing Austin Exploration's Pathfinder project in Colorado, laying just left of the historic Florence field.

KENTUCKY BUSINESS UNIT

VP & General Manager:

Mr Timothy B Hart

- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production and cash flow
- Kentucky Exploration LLC. 50/50 Joint Venture with private Australian Investment Company
- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg



A map showing Austin Exploration's Leases in Kentucky. Kentucky Exploration LLC (Austin Exploration's wholly owned subsidiary) is operating 4 oil fields, 20 leases and approximately 3000 acres in Kentucky.

HIGHLIGHTS

- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk, long life production and cash flow
- Austin Exploration started the implementation of its 5 well, low cost, high impact drilling and stimulation program in order to reach its 40 BOPD+ goal for the Kentucky Unit.
- Austin Exploration has successfully completed the drilling of all 5 wells.
- A series of logs have been obtained and examined in order to develop the best stimulation design and optimise production in Kentucky.
- The stimulation designs are expected to be completed and implemented starting February 2014.

- The Company's low cost, high impact drilling program in Kentucky is expected to have a material impact on cash flow while minimizing the costs of operations.
- Two additional studies are in progress to optimise the sale of gas in Kentucky.

DISCLAIMER:

This announcement contains or may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will," "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Oil production rates fluctuate over time due to reservoir pressures, depletion or down time for maintenance. The Company does not represent that quoted production rates will continue indefinitely.

Austin Exploration, Ltd – AKK
Reporting on Oil and Gas Activities
Quarterly Report for Period Ending December 31, 2013

PEL 105

- Completed formal agreement with Tellus Resources covering the sale of Austin's 50% interest in the PEL 105 license area in the Cooper Basin, South Australia (announcement on May 3, 2013)
- As result of transaction, 19,776,020 ordinary shares in Tellus Resources transferred to AKK. Escrowed for the longer of 12 months or the granting of Ministerial Approval of the transfer
- No expenditures incurred by Austin related to PEL 105 between Oct-Dec, 2013

Colorado

- Approximately 11,500 total acres in Fremont County and Custer County – Austin holds 85% working interest (WI)
- One well currently in production, second well in evaluation period
- 2D seismic completed in December, 2013
- Continue to assess next steps with this flagship property
- \$142,000 in total exploration costs between Oct-Dec, 2013 on this property, including costs for the gas line, flare, work over rig, seismic, etc.
- Continue to increase production in horizontal well
- No major activities or expenditures related to development and production

Texas

- Approximately 5,000 total acres in Burleson County Birch Project
- Farm-out of 70% interest of Austin's Birch Project previously announced in July/August of 2013. Austin holds remaining 30% working interest. Austin is free carried on cost of first four horizontal wells
 - Eagle Ford horizontal drilling program underway by farm-out partner and initial well spudded in December, 2013 – awaiting results of completed well
- No major exploration expenditures incurred by Austin between Oct-Dec, 2013. \$168,000 in remaining costs spent related to farm-out agreements
- No major activities or expenditures related to development and production

Mississippi

- Austin currently holds 50% working interest in three producing wells in Mississippi
- Austin and partner to spud fourth Mississippi well in January, 2014
- No major expenditures on this property between Oct-Dec, 2013, either exploration or development and production

General

- Total internal payroll engineering costs \$156,000 between Oct-Dec, 2013 related to exploration activities

- Total lease operating costs \$58,000 between Oct-Dec, 2013 related to development and production